



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

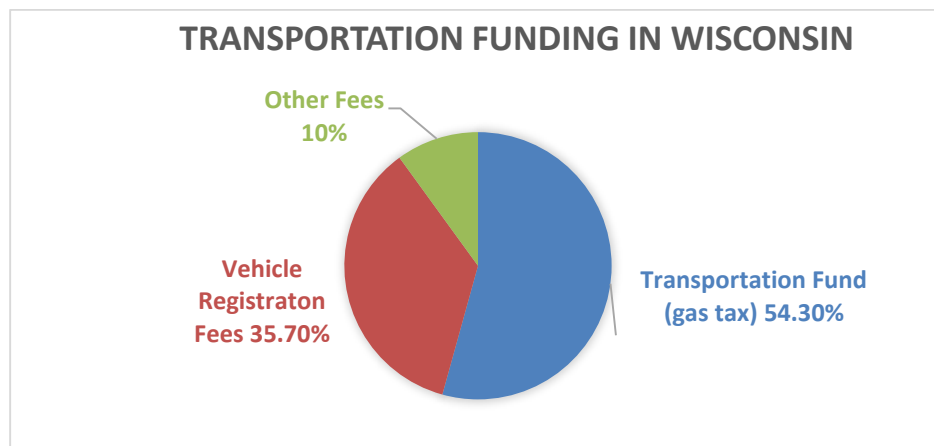
Capitol Update By Senator Howard Marklein June 19, 2015

An Analysis of the Transportation Traffic Jam

The state budget process has slowed down like rush hour traffic on a busy road. With all sorts of merging ideas, political lane closures and different drivers, the state legislature is working diligently to get the budget moving again despite some pretty significant obstacles.

The main issue causing our delay is a fairly simple math problem: the revenue for transportation does not match or exceed the current expenses and planned projects for the future. As a result, we must determine if we will increase revenues or decrease spending.

Funding for transportation comes from the state transportation fund which is funded through the gas tax, vehicle registration fee revenues (including titling and other related fees) and other smaller funding programs.



In recent years, the state has started borrowing – or bonding – for projects that exceed our revenue in the transportation fund. We have borrowed transportation revenue bonds, which are borrowed on the guarantee of registration fees, and general obligation bonds, which are borrowed on the guarantee of general purpose revenues or segregated transportation funds revenues.

Over the last six budgets, we have borrowed nearly \$3.7 billion to pay for road projects. Nearly \$2 billion was borrowed for major highway projects and an additional \$811.8 million was borrowed to pay for the mega projects in southeastern Wisconsin, not counting the Hoan Bridge project in Milwaukee!

The projects for which we are borrowing are usually major highway development programs and administrative facility capital projects (office buildings). The following table demonstrates our borrowing on the Transportation Fund for the last six budgets, with a preview of the Governor's proposed borrowing.

Transportation Fund-Supported Bond Authorization (\$ in Millions)						
	Major Highway/Admin Facilities*	SE Wisconsin Freeway Megaprojects	Other State Highway Projects	Freight Rail and Harbor Projects	Stillwater/Hoan Bridge Projects	Total
2003-05	\$342.5	\$0.0	\$0.0	\$7.5	\$0.0	\$350.0
2005-07	228.8	213.1	0.0	24.7	0.0	466.6
2007-09	384.0	90.2	0.0	34.7	0.0	508.9
2009-11	301.4	250.3	110.0	72.7	225.0	1,059.4**
2011-13	341.8	151.2	131.0	40.7	0.0	564.7**
2013-15	416.5	107.0	0.0	67.9	200.0	791.4
2015-17***	618.9	392.1	242.4	43.0	46.8	1,343.2

*Includes approximately \$11.8 million each biennium for administrative facilities.

**Totals reflect \$100.0 million in transit capital bonding approved in 2009-11 and then rescinded in 2011-13.

***Governor's Budget proposal. *Chart and data provided by the Legislative Fiscal Bureau – Paper #631*

As you can see, the Governor's 2015-17 budget recommendations seek to authorize \$1.3 billion in new bonding. This would raise the already high debt service we are paying to an extremely high percentage of our transportation fund revenue. Debt service is the cash that is required to cover the repayment of interest and principal on a debt.

We are currently paying around 20% of our incoming revenue for debt service. If we were to borrow another \$1.3 billion, we would be raising our debt service to nearly 22.3% of the fund by 2017, and it would continue to increase.

In other words, nearly 25% of our transportation revenues (gas taxes, registration fees, etc) would be paying for debt service within two years. And in two years, we would be crafting another budget without fixing this problem. If we stop bonding now, we can freeze our debt service to 18% through 2020.

There are several schools of thought on the transportation funding issue. There are legislators who want to increase revenues – increase gas taxes and fees. And there are legislators who want to decrease expenses – cut programs and decrease spending. There are others who want to borrow to pay for projects.

To increase revenue, we have some options. All of our options include generating more revenue for the transportation fund by seeking more from the residents of Wisconsin and those visiting our state.

Five-Cent Increase in the Motor Vehicle Fuel Tax Rate (Gas Tax)

- Collect \$.359 per gallon rather than \$.309 per gallon.
- Estimated revenue to transportation fund would increase by \$151,400,000 in 2015-16 and \$167,200,000 in 2016-17.
- Last increase was in April 1, 2006 – when indexing was still allowed.
- If indexing were still allowed, the current fuel tax rate would be \$.374 per gallon.

- We would have collected \$199.1 million more in revenues in 2014-2015 and nearly \$1 billion more since indexing was repealed in 2006.
- Approximately 20% of our fuel consumption is by non-residents: tourists and truckers traveling through our state.

Increase Vehicle Registration Fees

- Increase the fees for automobiles and light trucks by \$10 or \$20.
- The current fee is \$75 for automobiles, \$75-106 for light trucks depending on weight.
- The last time this fee was raised was January 1, 2008.
- Estimated revenues would increase by:
 - \$10 increase = \$34.7 million in 2015-16 and \$46.7 million in 2016-17.
 - \$20 increase = \$69.3 million in 2015-16 and \$104 million in 2016-17.
- Registration fee increases are only paid by Wisconsin residents, not visitors to our state.

I have also looked at how our taxes and fees compare to our neighboring states. Wisconsin has relatively low vehicle registration fees and gas taxes compared to our neighboring states. Some of those states have recently increased their gas taxes and/or fees.

To decrease spending, we would have to reduce and delay current projects, delay future projects and seek significant cost-saving measures to keep the transportation fund solvent. While we have not discussed the specific projects that would be reduced or delayed, this could be an option if we decide to decrease spending rather than raising revenues.

From my perspective, I feel our priorities for transportation projects should be in the following order:

1. General Transportation Aids (GTA) to municipalities, counties and townships. These funds are distributed statewide to maintain existing infrastructure. This is my top priority!
2. State Rehabilitation Program - Funds spent to improve current state highways. We should maintain what we have before we build new roads.
3. Major Projects - New roadways and/or major expansions such as the Hwy 12 project in Baraboo.
4. Milwaukee Mega Projects – enormous, long-term infrastructure projects like the Marquette Interchange or the Zoo Interchange. This is my lowest priority.

I do not believe that we should continue to borrow money for projects that we cannot afford. In the long-run, our debt will force us to increase revenues and decrease projects when we are faced with a critical problem. I believe that Wisconsin needs to change our behavior now before we are faced with a massive spending-problem in the future. We need to stop charging on the state's credit card!

For more information and to connect with me, visit my website

<http://legis.wisconsin.gov/senate/17/marklein> and subscribe to my weekly E-Update by sending an email to Sen.Marklein@legis.wisconsin.gov. Do not hesitate to call 800-978-8008 if you have input, ideas or need assistance with any state-related matters.

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